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PERFECT FRY

REPORT 1996

CORPORATION

University of Alberta
1-26 Business Building
Edmonton, Alberta T6G 2R6



CORPORATE PROFILE

Perfect Fry Corporation is a public company headquartered in Calgary, Alberta, Canada. The aggressive pioneer spirit is a cornerstone in Perfect Fry's entrepreneurial quest for success.

The company manufactures counter-top deep fryers with built-in air filtration and fire prevention systems. The super efficient Perfect Fry is slightly bigger than a microwave oven.

Perfect Fry's market niche is fast food retailers who sell popular tasty deep fried foods at snack bars, food kiosks, sport & recreation outlets, concession stands, and convenience stores.

Perfect Fry's main sales force is an international network of independent distributors and dealers supported by targeted marketing and sales promotion programs.

Perfect Fry offers investors the basic elements for equity growth.

- Experienced management, with incentive to succeed.
- Dedicated employees with a stake in the company's future.
- Proven products serving a strong consumer demand: patented and continuously updated by research and development.
- A rapidly expanding distribution network.
- Access to capital to finance rapid growth.
- A production, marketing, distribution plan that is carving a profitable niche in the gigantic world-wide fast food industry.

1996 HIGHLIGHTS

- Major expansion of the distributor network in the USA.
- Introduction into markets in Asia, Australia, and Europe.



The PROVEN PERFORMER For the FAST FOOD INDUSTRY

ANNUAL MEETING

Perfect Fry Corporation's Annual Meeting for fiscal year 1996: April 28, 1997 at 9:00 a.m. at 3700, 400 3rd Avenue SW, Calgary, Alberta, Canada.

STOCK EXCHANGE LISTING

Perfect Fry Corporation, symbol PNM, is listed on the Alberta Stock Exchange in Calgary.
USA 12G3-2 (b) Exemption Number 82-1609.



CHAIRMAN'S REPORT

BETTER PRODUCTS, BIGGER MARKETS

The past year marked the second consecutive profit producing year for our young growing company.

One year ago, in this report, we said that we planned to put more emphasis on expansion into overseas markets. How did we do?

First, positive inroads have been made but not yet reflected in sales. We expect regulatory approval shortly for sale of Perfect Fryers into the European Common Market. A number of European distributors are awaiting the approval. Since year-end we have added an Australian distributor.

Second, we continued to provide the most reliable and efficient counter-top deep fryers for the fast food industry. Based upon feedback from end-users, distributors, and our Service department, Perfect Fry's manufacturing capacity was increased and product quality was improved.

Third, because 1996 Revenues were less than expected in the second and third quarters, major marketing improvements were implemented. The tremendous 1995 sales growth in the USA was not repeated under the exclusive distributor relationship. Strong steps have been taken to expand Perfect Fry's USA distributor network. Now, more than twelve distributors are selling Perfect Fryers across the USA, an increase from just one a year ago. And the list is growing every month.

Fourth, as planned, when sales improved in the fourth quarter high inventory levels allowed immediate shipment and gave Perfect Fry a very profitable quarter.

Our Balance Sheet is relatively strong: no long term debt. An excellent Equity to Debt ratio (10 to 1) provides the flexibility for financing substantial growth.

THE YEAR AHEAD

In the year ahead we will use our past success as a springboard for growth. The Perfect Fry counter-top deep fryer is a Proven Performer. Thousands are now in use. The product line will be increased with the introduction of one or more new models.

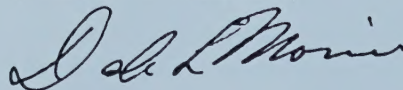
The growing distributor network will be strongly supported with targeted national advertising and sales promotion programs. Expansion into markets in Europe and Asia will continue on an orderly and profitable basis.

Perfect Fry's success in the past, and especially in the future depends upon a blend of experienced management, dedicated employees and distributors, reliable efficient products, access

to capital for financing growth, and an effective production, marketing, distribution plan. We have that combination in place.

Perfect Fry's customers, distributors, suppliers, and employees all contribute to our success. To them we offer a most sincere Thank You.

On Behalf of the Board,



Dale L. Morice,
Chairman, Board of Directors



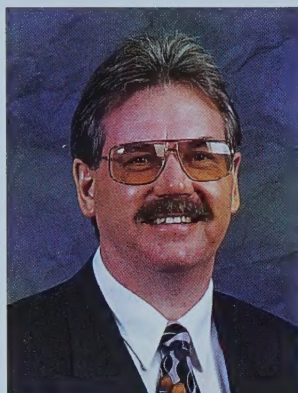
RELIABLE, EXPERIENCED, DEDICATED PEOPLE MAKE PERFECT FRY THE PROVEN PERFORMER IN THE FAST FOOD INDUSTRY

DIRECTORS AND OFFICERS, PROVEN PERFORMERS IN FINANCE, MARKETING AND OPERATIONS

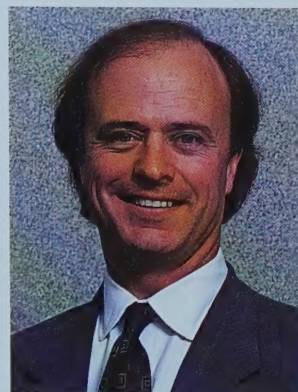


Dale L. Morice, C.E.O. & Chairman of the Board. Mr. Morice has guided Perfect Fry's operations for the past five years. He has led the company to profitability while establishing the Perfect Fry as a proven performer in the fast food industry. He has brought together dedicated and experienced people and the marketing and

financial plan to turn Perfect Fry's potential into performance.



P. Glenn Calderwood, Director. In addition to serving on the Board, Mr. Calderwood has contributed more than 10 years to the development and manufacture of the Perfect Fry. He is a director and owner-manager of private corporations in other industries.



William O. Wright, Director. Mr. Wright is President of Guidance Financial Consultants of Wichita, Kansas, consultants to corporate executives across the continent. He was formerly an executive with a major international investment banking firm.



Gary G. Calderwood, C.F.O., Director. Mr. Calderwood has worked closely with Mr. Morice in Perfect Fry's development. He played a key design role in the Perfect Fry's patent registration. His senior responsibilities include product design and assembly, regulatory approvals, information systems, and marketing.

He is a Certified Management Accountant.



Jack F. Senior, Director. Mr. Senior has more than 30 years of very successful management and ownership experience in the fast food industry. He is President of Speedi Gourmet Ltd., and is a director of seven other companies involved in manufacture and sale of fast foods.



PROVEN PERFORMERS SERVE WORLDWIDE MARKETS



Dale Morice and Gary Calderwood

CEO Dale Morice and CFO Gary Calderwood have been taking off their jackets and ties and rolling up their sleeves. For many years Dale, Gary, and Service Manager Bob Mack have led a team of experienced and dedicated people improving designs, testing and re-testing, acquiring patents, assembling Perfect Fryers, raising capital, and proving that the Perfect Fry can do the job.

The Perfect Fry has proven itself a winner in the North American fast food industry. And it is being introduced in Asia, Australia, and the Europe Common Market. Perfect Fry Corporation is a profitable international marketer with enormous potential for growth.

Independent distributors and dealers are joining Perfect Fry's international marketing and sales network. Perfect Fry supports its distributor network with targeted marketing programs.



At major trade shows around the world the Perfect Fry booth is a busy place. The company has a backlog of hundreds of inquiries from interested end-users and distributors in dozens of countries.



MANAGEMENT DISCUSSION AND ANALYSIS

SALES AND MARKETING

In 1996 Perfect Fry continued its basic strategy. First, focus on North America. Second, build on that success to penetrate world-wide markets. A growing network of independent distributors is supported by targeted advertising and sales promotion programs.

North America

In Canada, sales are increasing at a steady rate. The counter-top deep fryer is a relatively new concept. The first to install Perfect Fry were mainly one-outlet operators looking for an edge in a competitive industry. Now, the fast food industry is learning about the reliable Perfect Fry's ability to produce tasty food and zesty profits.

Multi-outlet operators and franchisers are showing keen interest with "Let's try the Perfect Fry" tests at targeted outlets. We are confident that this will result in more multi-unit orders and big increases in Perfect Fry's business.

In the USA, sales declined. In the previous year, a very successful program placed hundreds of Perfect Fryers in Wal-Mart stores under an exclusive distributor agreement. That was a big challenge for the Perfect Fry to prove it could contribute to a giant retailer's bottom-line. Perfect Fry passed the test. Sales were impressive.

But concentration of resources on one program meant that other sales potential was not aggressively pursued. Corrective action has been taken. The Wal-Mart program continues, but now the Perfect Fry is being sold by a growing nation-wide network of distributors and dealers.

We are developing a strong distribution infrastructure to help reach Perfect Fry's very large sales potential, especially among multi-outlet operators and franchisers in the enormous fast food industry.

Overseas

Korean sales have yet to reach expectations. Our distributor is experienced and successful in Korea so, for now, the watchword is patience.

The European Common Market countries have enormous sales potential for Perfect Fry. Market penetration with European distributors is expected to start as soon as regulatory approval is received.

Discussions are underway with distributors in Australia.

FINANCIAL CONDITION

In the wake of 1995's explosive growth Perfect Fry organized and solidified its financial condition during 1996.

Working Capital increased to \$1,303,000. Shareholder Equity increased by \$181,000. Equity to Debt strengthened to 10 to 1. Our overall financial position provides exceptional capacity for achieving operational and marketing goals.

DEVELOPMENTS & OPERATIONS

Design & Development

Perfect Fry has invested continually in research and development in order to meet customer expectations and evolving regulations. We have devoted significant engineering expertise to enhance and upgrade equipment and to develop new models in anticipation of market demand.

Approvals

We have been working diligently to meet the rigorous regulatory standards of the European Common Market countries and receive the CE label for the Perfect Fry. The approval process is about 90% complete.

Many other areas of the world appear to be considering the CE approval, rather than North American standards, as their preferred standard. Getting CE approval could be an important step toward other world markets.

Service & Warranty

Of significant interest to those involved in Perfect Fry's design, manufacture, and distribution is the positive performance of the Perfect Fry over the past number of years.

Perfect Fry has an excellent Service department whose people take genuine pride in responding to customers.

We are very pleased to report that the Perfect Fry's reliability and customer satisfaction are at record high levels.

The Perfect Fry is truly a Proven Performer for the Fast Food Industry.

This positive aspect of our business continues to be a strong underlying support mechanism, a powerful driving force for our future.



PROVEN PERFORMERS IN CUSTOMER SERVICE, MARKETING AND DISTRIBUTION

WHAT DO FAST FOOD RETAILERS SAY ABOUT PERFECT FRY?

From a profit stand point, the fries are a good add-on product, a made-in-heaven fit. It's an excellent machine for cleaning, for quick serving. The staff like it: twenty minutes a week to clean it; I used to have a big deep fryer that took 45 minutes to clean every night, for the same amount of orders as the PERFECT FRY. **It's an excellent machine.**

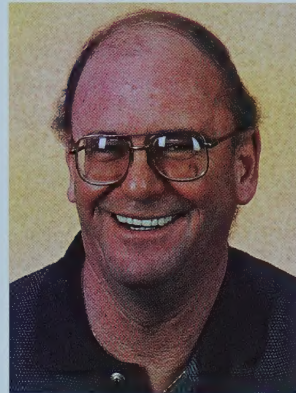
.... **Owner and Manager, Food Kiosk Franchisee**
(more than 30 outlets)

We've had PERFECT FRY for a year now. Compared to the other machine we had, it's easier to clean, and **makes better french fries, egg rolls, chicken nuggets**, anything you try. With the other machine, if I made a mistake the food was ruined. With PERFECT FRY, if I make a mistake I can correct it. **It's simple to operate.** It's perfect, **it's really perfect.**

.... **Operator, 700-Seat Bingo Emporium**

It takes about 3 minutes to train some one to use the PERFECT FRY, very simple. There's such a small amount of oil. As in terms of fumes or smoke, with the PERFECT FRY, it's just not there, it's non-existent. There hasn't been a problem at all. **The financial side has been fantastic.** Up-selling is definitely there. **PERFECT FRY has been great.**

.... **Owner-Manager, Go-Cart Track**



Bob Mack



Cindy Horne

Bob Mack, Service Manager. Mr. Mack has been instrumental in helping make the Perfect Fry the most reliable and time-tested counter-top self-venting deep fryer in the fast food industry. His first hand knowledge of product assembly and distribution is a key reason why the Perfect Fry has such a high level of customer confidence and satisfaction.

Cindy Horne, Marketing Services & Office Manager. Ms. Horne is an experienced Professional Home Economist and office manager. She plays a key role in the highly effective application of Perfect Fry's resources to Product Distribution and Information Systems.



PROVEN PERFORMERS IN CUSTOMER SERVICE, MARKETING AND DISTRIBUTION

WHAT DO FAST FOOD RETAILERS SAY ABOUT PERFECT FRY?

The PERFECT FRY complements our lounge and fast food service. **We find it quick, efficient, and low-cost.** It's complementary to our hot dog, hamburger business and to our lounge business. **It's a money making proposition.**

.... **Owner-Manager, Bowling Alley**

I came in one day, Jane said, "We have a french fry machine." I said, "How am I going to operate it?" She said, "Flip the switch, when the light goes on put the fries in, wait for the buzzer, and that's about it." No problems at all. **French fries help sell other products,** because people want to have a drink, and hot dogs go well with fries.

.... **Sales Clerk, Sports & Recreation Facility**

It's been a really good piece of equipment for a bar. It's very easy, convenient, never had a problem with it. We offer fries, so now we don't lose a customer. It keeps the customer here who is hungry. **I think I've found the perfect thing for us.**

.... **Manager, Bar & Lounge**



Carl Sigurdson



Joy Percival

Carl Sigurdson, Marketing Manager. Mr. Sigurdson plays a major role in the development, expansion and support of Perfect Fry's international network of independent distributors and dealers. His experience includes 25 years in equipment design, manufacture and distribution in the USA and Canada.

Joy Percival, Customer & Office Services. Years of experience in business management coupled with a special ability to work effectively with people at all levels make Ms. Percival a highly qualified coordinator of Perfect Fry's international head office services.



PROVEN PERFORMERS IN CUSTOMER SERVICE, MARKETING AND DISTRIBUTION



Carl Sigurdson, Cindy Horne, Joy Percival, and Gary Calderwood in a brief marketing strategy session. Perfect Fry supports the international distributor network with targeted marketing programs.

WHAT DO FAST FOOD RETAILERS SAY ABOUT PERFECT FRY?

We're a small operation. If some one orders a hot dog, we say, "Would you like fries with that?"; usually they say yes. **It adds 20% to our gross sales.** We cook fries as people order them, so they're always fresh. **We can cook an order of fries in 45 seconds.**

.... **Owner-Manager, Fast Food Snack Bar**

We've been looking for a self-venting french fry machine for a number of years. We've tested other machines. Anything available was too expensive. The PERFECT FRY came along, **Sales have increased as a result.** French fries are very consistent, customers are happy. **We're very happy with the PERFECT FRY.** **Food Manager, Nation-wide Department Store**

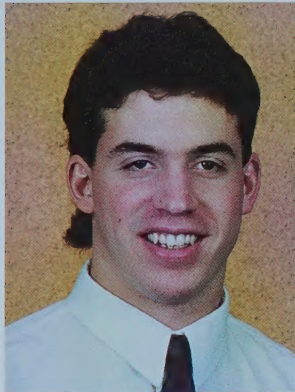


Jack Wilson

Jack Wilson, Investor Relations & Marketing. Mr. Wilson's many years of senior executive experience in marketing, investment and communication with public companies, large and small, make him highly qualified in investor relations and marketing.



PROVEN PERFORMERS IN ENGINEERING AND PRODUCTION



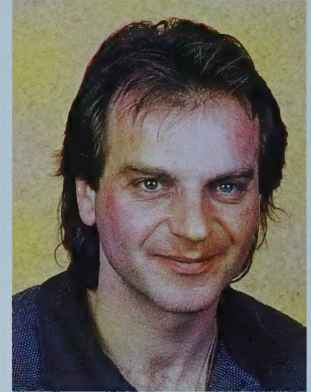
Shaun Calderwood,
Engineering Services.
With front line assembly & service experience enhanced by lots of creative energy Mr. Calderwood effectively deals with product design and regulatory approvals.



Fabienne Berdat,
Production Supervision.
Logistics, the art and science of getting the job done on time within budget. Her years of military experience help Ms. Berdat direct the high quality production of the reliable Perfect Fry.



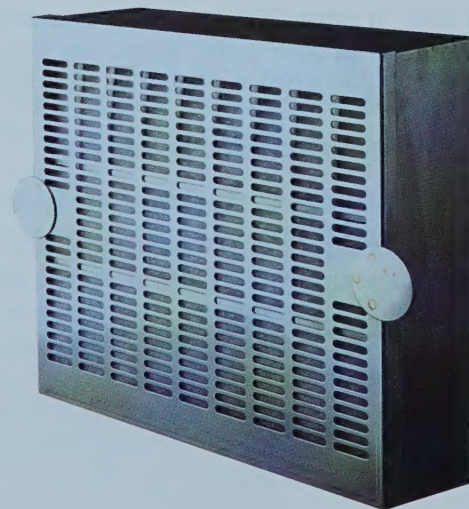
Tuyen Vu,
Production & Assembly.
Mr. Vu's dedication and diligence in the Perfect Fry's ongoing testing and proving program helps assure a very high level of product reliability and customer satisfaction.



Zdeno Feranec,
Production & Assembly.
Mr. Feranec's dedication and genuine desire to help build the best product available make him an important member of the Perfect Fry production team.



Precision engineering and quality control manufacture assure that the Perfect Fry is reliable and easy to use. Rigid standards are met and surpassed for safety, clean air, and sanitation.



A key to the Perfect Fry's proven performance is the patented self-contained Air Filtration system. It assures clean air and virtually no odors.

Every Perfect Fry's filter must be replaced every three months, more often for higher volume usage.



CORPORATE DIRECTORY

BOARD OF DIRECTORS

Dale L. Morice
Chairman & CEO
Perfect Fry Corporation

Gary G. Calderwood
Secretary Treasurer
Perfect Fry Corporation

P. Glenn Calderwood
Owner-Manager & Director
Private Corporations
Calgary, Alberta

Jack F. Senior
President
Speedi Gourmet Ltd.
Vancouver, B.C.

William O. Wright
President
Guidance Financial Consultants
Wichita, Kansas

OFFICERS

Dale L. Morice
C.E.O.

Gary G. Calderwood, CMA
C.F.O.

AUDITORS

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Chartered Accountants
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Calgary, Alberta
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TRANSFER AGENT

Montreal Trust
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E-Mail: perfect@canuck.com
Internet: <http://www.perfectfry.com>

INVESTOR RELATIONS

Jack Wilson

STOCK EXCHANGE LISTING

Alberta Stock Exchange,
Symbol: PNM

As of October 31, 1996 there
were 9,431,351 shares issued
and outstanding.



Perfect Fry international head office management and staff





PERFECT FRY

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PRINTED IN CANADA

